



US Market Wrap

27th March 2024: Stocks rally into thinning month-end flows as traders await Waller

- **SNAPSHOT:** Equities up, Treasuries up, Crude flat, Dollar flat.
- **REAR VIEW:** Strong 7yr auction; Japanese officials jawbone after USD/JPY printed a 33yr high; EIA Crude build, but not as large as private inventories; SARB & Riksbank hold rates, as expected; India's gold imports set to fall over 90% in March M/M; Weak GME earnings.
- **COMING UP: Data:** German Retail Sales, UK GDP, German Unemployment, US GDP (F), IJC, UoM Inflation Expectations (F), Japanese Tokyo CPI, Unemployment Rate **Speakers:** ECB's Knot; BoE's Mann; RBNZ's Orr **Earnings:** Walgreens.

MARKET WRAP

Stocks were firmer on Wednesday thanks to a late session rip into the close with month-end selling not as large as expected, perhaps indicative of the bulk of it being in the rearview now ahead of the long weekend. There was no tier one data or major catalysts to set the tone ahead of Fed's Waller later at the Economic Club of NY on Wednesday at 18:00ET. Treasuries rallied further, ultimately in a bull-flattener in thin trade, where the strong 7yr auction marked the low in yields for the session. The Dollar Index was flat, while the Yen closed marginally firmer after more Japanese official commentary/actions that are believed to preface FX intervention. Euro was flat, despite some strong gains in EGBs, coming on the heels of the as-expected rise in headline Spanish CPI, and a softer core reading, ahead of other EU member state figures due next week. Gold was ultimately firmer, aided by the lower yields, but did see some notable weakness earlier on Reuters reports India had slashed its gold imports for the latest month by 90% amid high prices. Oil prices were lower, albeit closed off worst levels, amid bearish US inventory figures in a holiday-thinning trading environment.

FIXED INCOME

T-NOTE (M4) FUTURES SETTLED 7+ TICKS HIGHER AT 110-28

Treasuries rallied further on Wednesday in quiet and thin trade with desks continuing to point to rebalancing flows. 2s -2.7bps at 4.570%, 3s -3.1bps at 4.363%, 5s -4.0bps at 4.186%, 7s -3.8bps at 4.197%, 10s -4.0bps at 4.194%, 20s -4.3bps at 4.454%, 30s -4.2bps at 4.357%.

INFLATION BREAKEVENS: 5yr BEI -2.1bps at 2.351%, 10yr BEI -1.8bps at 2.320%, 30yr BEI -1.1bps at 2.270%.

THE DAY: Treasuries were sideways through APAC trade on Wednesday after the recovery into Tuesday's close with volumes very light. Australian CPI in February printed 3.4% (exp. 3.5%; prev. 3.4%), while BoJ's Tamura was cited by desks as not as hawkish as some had anticipated. That was in the backdrop of Yen strength on more stern Japanese official commentary on the currency.

T-Notes, which hit initial resistance at 110-22 at the London handover, fell modestly to session lows of 110-18 later in the London morning, with a fleeting bid out of EGBs on the in line Spanish CPI faded. However, contracts found some renewed strength as stateside traders returned with a marginal bull-steepening bias, highlighted by the 4.7k 5yr block seller and 14.7k 2yr block buyer. T-Notes were soon printing fresh peaks for the session with month-end flows remaining the culprit for unexplainable strength with no tier one data or catalysts. Contracts hit session peaks of 110-31+ right on the heels of the strong 7yr auction, but there was little follow-through buying, with a 5k block T-Note seller seen right after the auction. Participants now await Fed's Waller (voter) who is due to speak at 18:00ET.

7YR AUCTION: A strong 7yr auction from the Treasury, adding to the 5yr on Tuesday, with USD 43bln sold at 4.185%, more expensive than last month's 4.327% and seeing solid demand despite 7s trading at relatively rich on the 5s7s10s fly, albeit it offers more appeal on the 2s7s10s and 2s10s30s fly. The auction stopped through the When Issued yield by 0.8bps, better than the prior stop through of 0.2bps and the six-auction avg. tail of 0.8bps. The auction was covered 2.61x, better than the prior 2.58x and avg. 2.54x. Dealers were left with 12.9%, less than the prior 15.6% and avg. 15.4%, with Directs jumping to 17.4% from the prior 14.8%, with Indirects relatively stable at 69.7% (prev. 69.6%).



STIRS:

- SR3M4 +0.5bps at 94.89, U4 +1.5bps at 95.185, Z4 +2bps at 95.485, H5 +3bps at 95.765, M5 +3.5bps at 95.995, U5 +4bps at 96.175, Z5 +4.5bps at 96.295, H6 +4.5bps at 96.36, M6 +5bps at 96.40, M7 +4.5bps at 96.42, M8 +4bps at 96.35.
- SOFR rises to 5.32% from 5.31%, volumes rise to USD 1.849tln from 1.820tln.
- NY Fed RRP op demand at USD 0.518tln (prev. 0.496tln) across 83 counterparties (prev. 73)
- EFFR flat at 5.33%, volumes flat at USD 85bln.
- US sold USD 60bln of 17-week bills at 5.205%, covered 2.77x.
- US sold USD 28bln 2yr FRNs at high discount margin 0.190% (prev. 0.200%).

CRUDE

WTI (K4) SETTLED USD 0.27 LOWER AT 81.35/BBL; BRENT (K4) SETTLED USD 0.16 LOWER AT 86.09/BBL

Oil prices were lower on Wednesday, albeit off worst levels, amid bearish US inventory figures in a holiday-thinning trading environment. WTI and Brent hit session lows of USD 80.55/bbl and 85.17/bbl, respectively, in the London morning before recovering through the session, gradually. The EIA data saw crude stocks build 3.2mln bbls in the latest week, including a 2.1mln bbl build at Cushing, with gasoline stocks building 1.3mln bbls and distillates drawing 1.2mln bbls. Meanwhile, in Russia, Rosneft's Ryazan refinery resumed operations at its primary oil refining unit CDU-4 that was suspended after the fire on March 13th, according to Reuters sources, with crude processing unit rising to 60% of normal capacity. The reports said Ryazan is to resume operations at the primary oil refining unit CDU-6 by the end of March and fully restore production shortly after. Reuters also reported that Russia has increased gasoline imports from Belarus in March to offset fuel shortage risks. In the Middle East, Israel is reportedly planning to launch a ground military operation in Rafah by the middle of April or early May at the latest, according to Egyptian sources cited by pro-Hezbollah Al-Akhbar Daily. Finally, Nigeria is also seeing an increase in exports amid its new refinery coming online, a preliminary report sees exports of the four key Nigerian crude oil programmes rising to 719.7k BPD in May from 654.7k BPD in April.

EQUITIES

CLOSES: SPX +0.86% at 5,248, NDX +0.39% at 18,280, DJIA +1.22% at 39,760, RUT +2.13% at 2,114.

SECTORS: Utilities +2.75%, Real Estate +2.42%, Industrials +1.6%, Materials +1.44%, Health +1.3%, Financials +1.22%, Consumer Discretionary +1.1%, Consumer Staples +0.96%, Energy +0.94%, Technology +0.12%, Communication Services +0.11%.

EUROPEAN CLOSES: DAX: +0.49% at 18,475, FTSE 100: +0.01% at 7,932, CAC 40: +0.25% at 8,205, Euro Stoxx 50: +0.37% at 5,083, IBEX 35: +1.09% at 11,111, FTSE MIB: +0.21% at 34,760, SMI: +0.25% at 11,710.

STOCK SPECIFICS:

- **Novocure (NVCR)** +12%: METIS Phase 3 clinical trial met primary endpoint in NSCLC study.
- **nCino (NCNO)** +19%: EPS beat, with Q1 and FY25 outlook surpassing expectations.
- **Marvell (MRVL)** +6%: Citi opens a 'positive catalyst watch' on Marvell into AI event.
- **GameStop (GME)** -15%: Top and bottom-line light and said it has recently undertaken cost reduction measures to improve efficiency, including initiatives to reduce headcount.
- **NIO (NIO)** -2.5%: Cuts Q1 delivery view to about 30k (prev. 31-33k) vehicles in Q1'24.
- **Merck (MRK)** +5%: FDA approved Co.'s life-threatening lung condition treatment for use among adults with pulmonary arterial hypertension.
- **Cintas (CTAS)** +8%: EPS, revenue, and gross margin beat alongside lifting FY outlook.
- **Coinbase (COIN)** -4%: Downside attributed to court update that the Coinbase case has not been dismissed; Court denies COIN motion for judgement.
- **Robinhood (HOOD)** +4%: Introduced its Robinhood Gold Card, a credit card where cash back can be deposited into a brokerage account.
- **Trump Media & Technology Group (DJT)** +14%: Shares of former President Trump's social media firm soared, adding to their strong gains from their debut under the DJT ticker on Tuesday.
- **Regional Banks:** S&P said some US regional banks could see asset quality and performance hit by stresses in commercial real estate. Accordingly, the credit rating agency lowered its outlook on five lenders to negative from stable. Those five were: **First Commonwealth Financial (FCF)**, **M&T Bank (MTB)**, **Synovus Financial (SNV)**, **Trustmark (TRMK)** and **Valley National Bancorp (VLY)**.



US FX WRAP

The Dollar was flat on Wednesday in light newsflow as traders await Fed's Waller at 22:00GMT/18:00EDT who is speaking on economic outlook. Waller's remarks come after the FOMC left its view for three rate cuts this year, but saw less rate reductions on the horizon. As a quick reminder, speaking in February, Waller said that the Fed was in no rush to begin the rate reduction cycle, noting that incoming economic data would be key in shaping his view for the number and timing of rate cuts; he also said that he wanted to wait for longer before he had enough confidence that rate cuts would keep the Fed on course for its 2% inflation goal. Speaking in March, Waller said that upcoming balance sheet decisions had no bearing on monetary policy, which were about getting liquidity levels to the right level.

G10 FX was largely flat against the Buck with very mild gains/losses seen. Albeit marginally, JPY outperformed, and CHF underperformed continuing on its weakness seen on Wednesday amid expectations the SNB will cut rates a further two to three times before year-end. It did not garner any Swissy action, but SNB Chair and Vice Chair were on the wires with the former noting the bank looks at the exchange rate closely and intervenes in FX markets when necessary; SNB has no set goal for Franc rate.

JPY was the G10 focus and USD/JPY saw lows of 151.04 after overnight it surpassed its November 2023 high with an intraday peak of 151.97 for its highest level since 1990. The Yen saw strength after news that Japan's BoJ, MoF and FSA are to hold a meeting to discuss international financial markets, but gains soon eased after Top Currency Diplomat Kanda said recent Yen moves are not reflecting fundamentals. Looking ahead, some desks have flagged the possibility of intervention during thin Easter markets, with JPM's spot FX desk warning a swift move towards 153 could stoke action. For the record, a slew of other officials spoke – BoJ's Ueda and Tamura spoke with the latter noting the Bank is likely to maintain accommodative monetary conditions for the time being, while Finance Minister Suzuki closely watching FX moves and won't rule out any steps including decisive steps to respond to disorderly FX moves.

For the Euro, Spanish CPI was in line with expectations as was EU Consumer Confidence. ECB's Kazaks said inflation is slowing, first-rate cut is nearing and doesn't object to the market view of a June rate cut. **Australian** CPI was cooler than expected, maintaining the prior month pace of 3.4%, while the Aussie was also weighed on by lower iron prices and a softer Yuan. **NZD** was flat vs. the USD after printing a multi-month low at 0.5986 on Monday.

The Yuan saw slight losses after a relatively stable but slightly softer-than-previous fix (7.0946, vs. prev. 7.0943). Meanwhile, PBoC Governor Pan said that bilateral currency swaps enhance financial safety nets, and that China is willing to deepen financial cooperation with other countries.

Gold prices eventually saw gains although some downside was seen on Reuters source reports that India is to drastically cut its gold imports in March to just 10-11 metric tonnes, from 110 tonnes in February on account of the high gold prices.

Scandis were weaker against the Dollar. For the SEK, Riksbank left rates on hold, as expected, and confirmed guidance pointing towards a H1 cut, but it left the door open to a cut in either May or June, dependent upon inflation.

EMFX was mixed despite little currency-specific newsflow. Nonetheless, for the BRL, Finance Minister Haddad said the job numbers are very good (ahead of the release), with the actual data showing job gains 306.11k (exp. 245.0k, prev. 180.4k). Inflation was cooler than expected. Mexican jobless rate was beneath expectations while the trade balance data saw a wider than expected deficit. For the ZAR, as expected, SARB left rates unchanged at 8.25% while its forecasts saw 2024 saw headline and core inflation revised up for 2024 but unchanged for 2025. Growth forecasts were unchanged for this year but 2024 was revised marginally higher to 1.4% from 1.3%.

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